

1962 ANNUAL REPORT

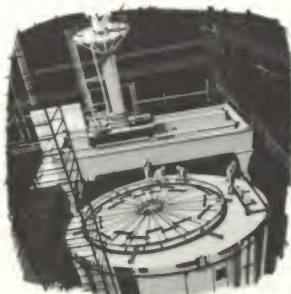
BLH

BALDWIN • LIMA • HAMILTON

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COVER

The six sketches on the front and back covers of this report portray twelve of the product areas described in our 1962 corporate advertisements. The six on the front epitomize products for Power, Aircraft, Roadbuilding, Water Distillation, Nucleonics, and Ordnance. Those on the back epitomize Steel, Aerospace, Mining, Chemicals, Metalworking and Construction.

FINANCIAL HIGHLIGHTS

	1962	1961
Net sales	\$125,290,000	\$109,064,000
Net income	\$1,906,000	\$1,391,000
Per share	\$.45	\$.33
Cash dividends declared	\$1,710,000	\$1,703,000
Per share	\$.40	\$.40
Shareholders' book equity	\$113,999,000	\$113,821,000
Per share	\$26.77	\$26.73
Working capital	\$74,736,000	\$79,925,000*
Per share	\$17.55	\$18.77*
Additions and improvements to facilities . .	\$4,539,000	\$1,751,000
Depreciation and amortization charged to income	\$3,180,000	\$2,918,000
Orders received	\$137,552,000	\$133,129,000
Orders unfilled	\$90,882,000	\$83,785,000
Number of shares outstanding	4,257,750	4,258,050
Number of shareholders	17,702	18,082
Number of employees—average	6,971	6,596

*Reclassified

BALDWIN • LIMA • HAMILTON CORPORATION

Executive Offices • Philadelphia National Bank Building • Philadelphia 7, Pennsylvania



BOARD OF DIRECTORS

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Francis L. Elmendorf
Joseph N. Ewing
William S. Ginn
Edward Hopkinson, Jr.
McClure Kelley
Arthur Littleton
Frederic A. Potts
William Wood Prince
George A. Rentschler
William S. Rowe
Louis Fenn Sperry
Milton Steinbach
Ralph K. Stiles
Perry A. White

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Shaker Heights, Ohio
Valley Forge, Pennsylvania
Gladwyne, Pennsylvania
Chestnut Hill, Pennsylvania
Glen Moore, Pennsylvania
Gladwyne, Pennsylvania
Ambler, Pennsylvania
Chicago, Illinois
New York, New York
Cincinnati, Ohio
Scarsdale, New York
New York, New York
Hillsborough, California
Wallingford, Pennsylvania

EXECUTIVE COMMITTEE

George A. Rentschler
McClure Kelley
William S. Ginn
Louis Fenn Sperry
William Wood Prince
Milton Steinbach

Chairman

EXECUTIVE OFFICERS

McClure Kelley
William S. Ginn
James M. White
Perry A. White
Frank E. Stehlik

Chairman of the Board
President
Vice President-Manufacturing
Vice President-Finance, Secretary and Treasurer
General Controller

TRANSFER AGENTS

In Philadelphia
In New York
In Cincinnati

Fidelity-Philadelphia Trust Company
Bankers Trust Company
The Fifth Third Union Trust Company

REGISTRARS

In Philadelphia

In New York
In Cincinnati

The First Pennsylvania Banking
and Trust Company
First National City Bank
The Central Trust Company



William S. Ginn, President



McClure Kelley, Chairman of the Board

TO THE SHAREHOLDERS

For most of our product lines, the markets continued to be steady during 1962, but not impressive. We encountered no major increases in product demand, and, as the cost-price squeeze, which we mentioned in the 1961 report, continued into 1962, our financial results did not improve as much as we had hoped they might.

The net income of Baldwin-Lima-Hamilton Corporation for 1962 did, however, amount to \$1,905,990, or 45¢ per share, an increase of 37% over the \$1,391,106, or 33¢, for 1961. Dividends of \$1,709,660, amounting to 40¢ per share, were declared in 1962 at the rate of 10¢ per quarter. Net sales amounted to \$125,289,679, or 15% higher than sales of \$109,064,209 in the previous year; the increase resulting primarily from the acquisition of the Hamilton-Thomas Corporation and its products early in 1962 and from improved sales of our steel mill products.

The backlog of orders at the end of 1962 was \$90,882,000 compared to \$83,785,000 at the end of the previous year. The shareholders' book equity, which increased \$177,814, at year end amounted to \$26.77 per share for each of the 4,257,750 shares then outstanding. Working capital amounted to \$17.55 per share at the end of 1962. The decrease of about \$5,190,000 in total working capital results primarily from the \$4,539,000 spent on improvements to our plant facilities, and the investment in the C. H. Wheeler Manufacturing Company, an unconsolidated subsidiary. At year end, the working capital of Wheeler was approximately \$3,000,000, which amount is not reflected in the \$74,736,000 working capital of BLH.

The corporation must constantly reappraise and redefine its objectives. During 1962, the management made intensive studies of the corporate objectives and decided that our best interests lay in those market areas to which our facilities and experience would allow us to make the best contributions at the best profits. We have been major suppliers to some of these markets for some time. In the others we propose to increase the vigor of our participation.

Five picture spreads, which follow the review of our 1962 operations, describe certain principal market areas and the equipment which we supply to them.

Supplying these markets engages the facilities of all of our divisions, as each market requires products from several divisions.

The newly organized Industrial Sales Division is responsible for sales to four of the five principal markets described and has greatly strengthened our field representation during the year by establishing a better, nationwide sales network on industrial products.

Early in 1962 the company acquired the Hamilton-Thomas Corporation, and the added volume derived from this company during 1962 increased our sales significantly over those of the previous year. Earnings also improved.

Despite the unimpressive activity in our markets, most of our divisions have had a year of encouraging growth and development owing to the introduction of new products and to the completion of capital improvements which have increased efficiency and broadened the flexibility of production.

The new products and the capital improvements, described in detail in the Review of Operations which follows this letter, are, briefly, these:

The Construction Equipment Division has added new items to nearly all of its product lines to achieve a better penetration of both the road-building and the general construction markets. At the Austin-Western plant we completed a new manufacturing building to permit key improvements in production flow.

The modernization program at Standard Steel continued with the installation of major capital equipment and the construction of a laboratory building. The division has developed new techniques for producing, forming, and finishing new superalloy and high alloy steels for aircraft, missiles and electrical generating equipment.

The Electronics Division has continued to broaden the range of measurement and control equipment which it builds, penetrating further this year into miniature measuring devices and those for high temperature measurement. The division has also established a west coast laboratory to provide sales, service and engineering to customers there.

Major steps were taken to improve operations at the Industrial Equipment Division. The manufacture of Griscom-Russell and C. H. Wheeler products was moved to the division. This permitted closing and disposing of the Griscom-Russell and C. H. Wheeler plants, increasing the production at the division, and eliminating certain unprofitable products. Although these moves were costly, they should produce beneficial, long-range results in the form of substantial cost reductions, greater penetration of such important markets as marine and electric utility, and, consequently, improved sales and earnings.

We have also strengthened the management at the division and instituted work effectiveness and cost control programs. Early results of these activities have already appeared in the improved operations of the division during 1962.

Our jointly owned affiliate, Transitel International Corporation, is completing equipment for three important test installations, all of which should indicate operational feasibilities during 1963. The particulars of these installations are described in the Review of Operations.

During the summer of 1962, we acquired the Ferguson Asphalt Paver to provide an important new product for the Construction Equipment Division. Toward the end of the year, we purchased The Green Fuel Economizer Co., Inc., of Beacon, New York. One of the nation's principal builders of industrial fans, this company's products should give us worthwhile additional business in several of our important markets.

Like many other corporations, we have sold our products abroad for many years, but it has been borne in upon us more and more that we could share foreign markets to a much greater extent if we actually manufactured certain of our products abroad. During 1962, we have made further studies of this problem and are presently very close to consummating manufacturing arrangements with foreign manufacturing partners.

We have negotiated new labor contracts during the year and are pleased to be able to report that our labor relations continue to be harmonious.

As our balance sheet shows, we are in a strong financial position. Our facilities are in excellent condition. The Review of Operations describes our activities in developing the products and services of our existing plants and divisions and in acquiring new plants and products.

Management again wishes to thank the officers and employees of the company for their wholehearted support in the year just ended.

William S. Ginn
President

Alfred E. Kelley
Chairman of the Board

REVIEW OF OPERATIONS



305-ton Experimental Gas Cooled Reactor, one of the largest pressure vessels ever built, starts its journey to Oak Ridge, Tennessee.

The year, 1962, has been devoted to strengthening and improving products, services, and research and development for the principal markets of the corporation. Prominent among the principal corporate markets are Electric Utility, Marine, Construction Equipment, Aerospace and Water. Strengthening the corporate position in these markets has required installing additional capital equipment at the divisions, and consolidating and improving sales efforts.

This review sets forth the important details of our work during the year and discusses our current financial position.

Financial

In April 1962, following the purchase, on January 30, 1962, of Hamilton-Thomas Corporation, both Hamilton-Thomas and its subsidiary, Griscom-Russell Company, were absorbed into BLH. Another subsidiary, C. H. Wheeler Manufacturing Company, continues, however, as a separate company. The products as well as the manufacturing operations of Griscom-Russell Company have been transferred to our Industrial Equipment Division, and that division is now doing the manufacturing of C. H. Wheeler Products. Certain minor products were sold for cash. The manufacturing facilities of all three companies have been closed; most of these facilities have been sold for cash, and the balance are held for sale.

The extraordinary costs of transferring these businesses and products to Eddystone, Pennsylvania, including expenses of consolidation and rearrangement of facilities, are deductible for income tax purposes during the year of expenditure, and the related income tax benefit to BLH for 1962 amounts to \$1,394,400. For financial reporting purposes, these extraordinary costs, less the related tax benefit, will be amortized over a period of about five years. Amortization of approximately \$385,000 has been charged to operations for 1962, and the unamortized balance at year end, \$1,680,000, is shown on the balance sheet.

Much publicity has accompanied the announcement by the Treasury Department of the new guideline lives for computing tax deductible depreciation, as well as the investment credit for new facilities purchased. We are optimistic that this change in attitude of the Treasury Department will, in the long run, improve our markets for capital equipment. Meanwhile, tax deductible depreciation for certain of our own fixed assets under the new methods exceeds the amounts computed for book purposes which have historically recovered the costs of the assets over their economic lives. The resulting tax benefit for 1962,

\$1,090,000, has been deferred on the balance sheet for amortization in future years when book depreciation will exceed tax depreciation.

The total of these two deferred tax items (\$2,484,400) is shown as deferred income tax in the statement of income for 1962. The combination of these two significant tax deductible items results in a tax loss for 1962. The related income tax refund amounts to \$494,400—which amount is shown as current taxes in the statement of income.

During 1962 the Company also acquired for cash all of the outstanding stock of Lake Erie Machinery Company and The Green Fuel Economizer Company, Inc. The fixed assets of Lake Erie have been sold for cash. The Green Fuel Economizer Company will continue as a subsidiary of BLH.

Capital Improvement

Capital improvements have been made at most of the divisions during 1962. These improvements consisted of the purchase and installation of new equipment, the construction of new buildings, and the establishment of a new facility for engineering and sales.

The modernization program, begun in the mid-fifties at the Standard Steel Division, has continued in 1962. The electric furnace capacity has been tripled by the addition of a 40-ton unit which began operation during the year. Several new automatic machine tools have been installed to improve the finishing capacity; a 40-ton manipulator, together with three new, program control, reheat furnaces, have been added to the forge shop, and all of the other reheat furnaces there have been modernized. The research and metallurgical laboratories have been installed in a new building which contains new resources for investigative work and quality control, as well as essential space for technical staff expansions and conferences.

Transferring the Hamilton-Thomas products to the Industrial Equipment Division required installing new machinery and facilities there. We have installed three new, large boring mills, a tape controlled, horizontal drill, and a turret lathe. We have also constructed a new, pump test pit, one of the largest in the nation, for testing the centrifugal pumps upon which the division has commenced production.

A new building, recently completed at the Austin-Western plant of the Construction Equipment Division, contains 36,000 square feet of production space, and will permit key procedural changes in manufacturing processes.

This building has increased the area under roof at Austin-Western to 650,000 square feet.

The Electronics Division has established, in Pasadena, California, a new custom instrumentation laboratory, which will serve as a West Coast extension of this division. The new laboratory will supply customer services for aerospace, military, industrial and commercial projects, for the solution of force measurement problems, for stress analysis, and for the instrumentation of structures to which strain gages and thermocouple techniques must be applied.

New Products and New Programs in Product Fields

All of the divisions introduced new products and services during 1962.

Those of the Industrial Equipment Division were derived substantially from the Hamilton-Thomas Company, and consist of heat exchangers, pumps, condensers, sea water distillation plants, and deck handling and steering equipment for the electric utility, marine, and industrial processing industries.

Continuing its work in the construction of major nuclear components, the Industrial Equipment Division completed, in December, the pressure vessel for the Experimental Gas Cooled Reactor and is now building the charging equipment for EGCR.

The Standard Steel Division has established an advance development and product planning department, the function of which is to anticipate industrial and aerospace needs by developing techniques for making, shaping, and finishing new alloys in advance of market demands.

During 1962 Standard began producing Maraging steels—the strongest and most ductile alloys yet developed—for the manufacture of missile motor, case rings. This new alloy, developed by the International Nickel Company, is unique in its high strength and toughness and in its ductility.

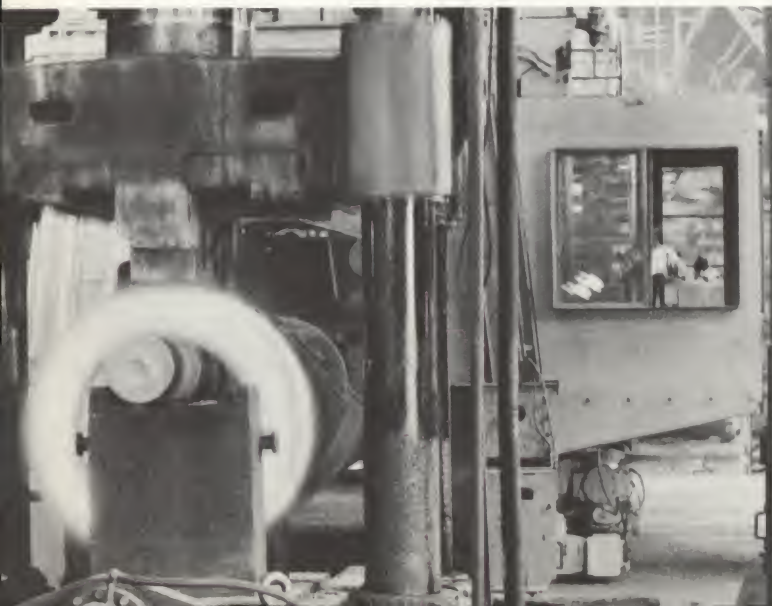
The division has also manufactured high strength alloy ring forgings for the segmented Titan III booster. These special forgings weigh approximately 3,000 pounds each and have a tensile strength of approximately 230,000 pounds. The satisfactory production of these forgings reflects Standard's ability to meet the most exacting requirements for alloy control and finishing.

The Electronics Division has introduced a variety of new products during the year: low height load cells for loads up to 250,000 pounds in applications where space is severely limited, converters and regulators for the micro-miniature amplifier line, and new pressure cells.



New, mobile, tower crane can handle 10,000 pound load at maximum radius of 105 feet from 155-foot vertical mast.

A ring for a Minuteman missile is mandrel-forged at the Standard Steel Division. The forge shop's new 40-ton manipulator positions the ring for shaping.



The Construction Equipment Division has introduced new products and accessories for its hydraulic crane line, its grader line, and its large crane line and has begun production on a paver and a vibratory finisher.

A new, Model 510, hydraulic crane offers greater lifting capacity than the 11-ton, Model 410, previously the largest of these cranes. A small, 3½-ton, tricycle crane, designated the Model 105, extends the lower end of the crane line. A new, 15-foot jib has been developed for the 410 crane and an optional, wide rear axle is available for the 110 crane.

The new, Pacer 500 is a 20,000-pound grader with four-wheel drive. This grader can compete in heavy construction work with machines rated at 35,000 pounds.

In the large crane line, the division has developed a mobile, tower crane, which provides our answer to the emplaced, tower cranes which have become so popular in construction work. This crane, with a 155-foot mast and a 100-foot jib, can handle 20,000-pound loads at heights as great as 255 feet. A new, 50-ton, truck crane, introduced in 1962, can provide 210 feet of boom for high altitude, construction work and offers an additional advantage of being able to be stripped for travel in half an hour.

One of the most important products that the division has introduced is the new paver, the rights on which were acquired from the Ferguson Paving Company of Reno, Nevada. A substantial modification of the equipment purchased from Ferguson, the new paver completes the line of asphalt road building equipment which the division can offer. To complement the paver, the division has also introduced a vibratory, asphalt finisher. Called the Hot-Foot, this finisher is a small, self-propelled, one-man machine which can be used to finish surfaces in confined areas.

Our jointly owned affiliate, Transitel International Corporation, has made encouraging progress in the building of three test installations. One of these facilities, a telemetering system for industrial, gas meters, is in operation at the Consumer Gas Company, Toronto, Canada. A system for reading domestic, electric meters for the Consumers Power Company of Jackson, Michigan, was partly installed in November, 1962, and will be fully installed early in 1963. First results of this operation are expected during the spring of 1963; final results should be available in September, 1963.

Equipment is being completed for a high speed, telemetering system for the Detroit Edison Company. The system, which will obtain information from three generating stations and three switching and transformer stations

and feed this data into a computer for automatic load dispatching, will be one of the highest speed systems extant. The system should be in service in March or April of 1963.

Sales

The reorganization for sales and service on industrial and utilities equipment, announced in last year's report, has been completed. The sales organization of Hamilton-Thomas has been absorbed into this organization, the number of offices and sales representatives has been increased, and two new sales regions have been opened. These two regions are the Southeastern region, with a regional office in Birmingham, Alabama, and the Gulf Coast region, with a regional office in Houston, Texas. The entire sales force has been retrained to orient the personnel to markets rather than to products. This retraining will give our sales organization more flexibility in introducing new products of our own and those of acquisitions.

Labor

All of our labor contracts, except that at Austin-Western, came up for renewal during 1962, and all of these contracts have been renewed satisfactorily. Two-year contracts were negotiated at the Electronics Division and at the Standard Steel Division. The contract at Lima was extended without change for an additional year, and the contract at the Industrial Equipment Division was re-negotiated for an additional year. The contract at Austin-Western, a two-year agreement, must be renewed during 1963.

Our relations with all of our unions have been harmonious and these unions have shown foresight in working with the corporation on operational problems.

Research and Development

Our long-term research on pump turbines produced, during 1962, a \$3 million contract with Jersey Central Power and Light Company for three of these turbines. The largest pump turbines ever built for an eastern utility, these units will be installed in the Yards Creek project in Warren County, New Jersey.

A pump turbine, as we explained in last year's report, is one which operates as a turbine when hydroelectric power is needed and as a pump to move water from a lower reservoir to a higher, storage reservoir during off-peak periods.

The Sixth World Power Congress, held in Australia during 1962, foresaw a continuing and growing demand for pump turbine installations. Delegates to that confer-

ence stated that pump storage was the most promising technique for leveling peak electrical loads and that pump storage installations were ideal for use with nuclear power generators. The observations at this conference suggest that the market for pump turbines is one of the most promising in the power field.

In a sense, the two large land based sea water distillation units, for which we were awarded contracts in 1962, constitute development work, as many improvements in technique will unquestionably be developed in the building of these units.

Standard Steel has begun substantial production of explosive formed, thick wall rings. The division has acquired a site for this work and has obtained orders from large generator manufacturers which will require, during 1963, the explosive forming of some of the largest retaining rings in the world. Standard has also made major progress in the making, forming, and finishing of the high-strength, heat-resistant alloys, Inco 718 and Inconel X. These alloys are used in jet engine and missile components.

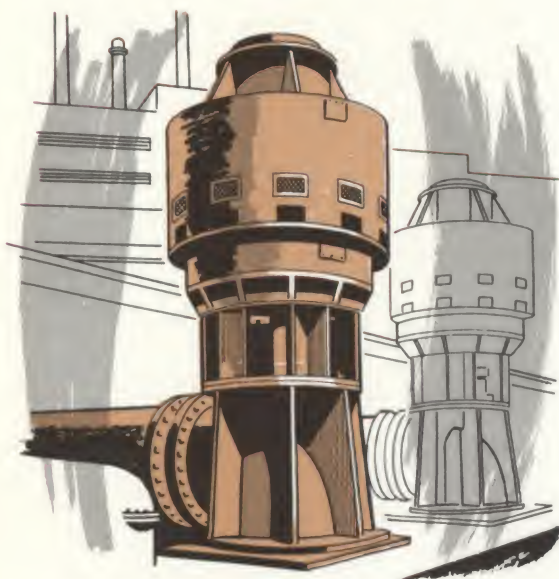
Continuing research and development at the Electronics Division has produced a full-bridge, weldable, strain gage, ceramic-backed gages, and self-temperature compensating, semi-conductor gages. All of these products contribute to the measurement of strain at elevated temperatures. The division has developed resistive temperature sensors which complement the microminiature thermocouple line and has developed heat transfer probes for use in missile nose cones during re-entry. A development of complete, signal conditioning units, incorporating the microminiature, differential amplifier, to satisfy critical missile and space applications, has led to the introduction of high output, pressure transducers which have a broad market potential.

Although Transitel is now producing product, as noted above, the activities of this affiliate must still be regarded as chiefly of a research and development nature. As the Transitel systems now on order are installed and proven, the company will develop a solid basis for offering such systems to a broad market.

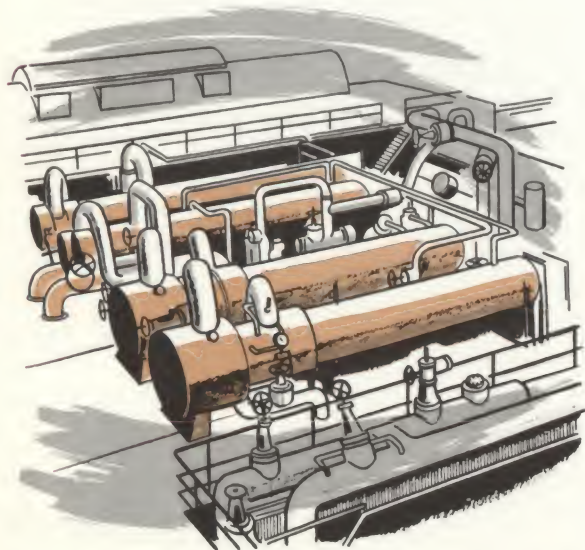
Summary

Our progress during 1962 has been encouraging. We have defined our objectives in order to sharpen our efforts.

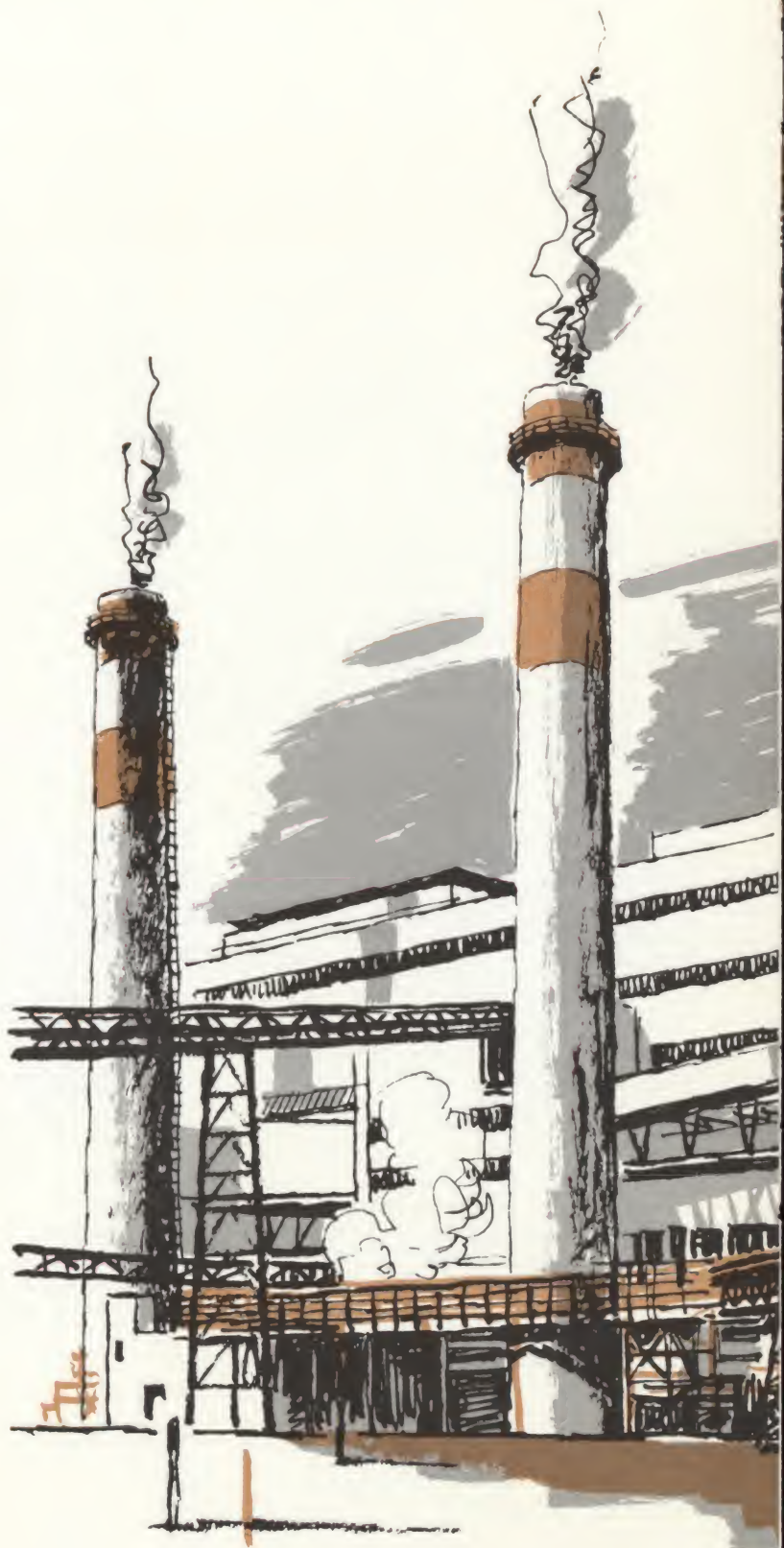
So that you may see in pictorial form the products which we are able to offer in five promising markets which we have selected for close attention, we display these products and markets on the next ten pages of this report.



Centrifugal pumps installed at power utilities include vertical and horizontal circulating pumps, Tubejet air ejectors, condensate pumps and water box condensers. Vertical pump is shown above.



For electric utility applications, BLH produces heat exchangers which include shell-and-tube exchangers, feed-water heaters (above), deaerating heaters, evaporators, surface condensers and barometric and jet units.

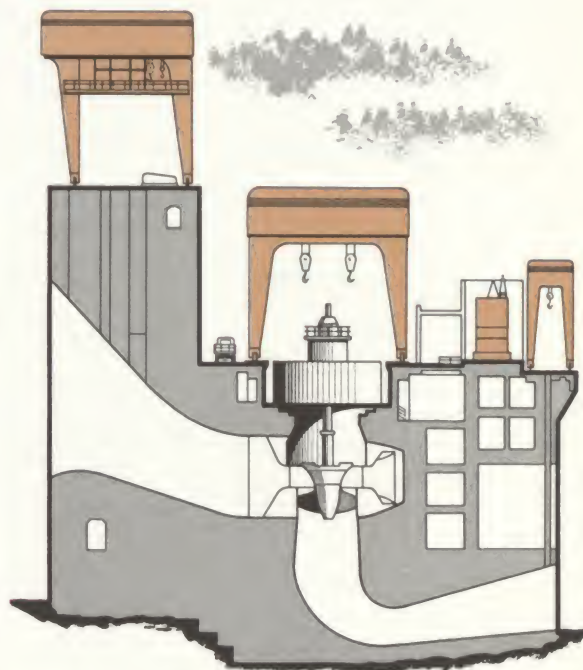


ELECTRIC UTILITY

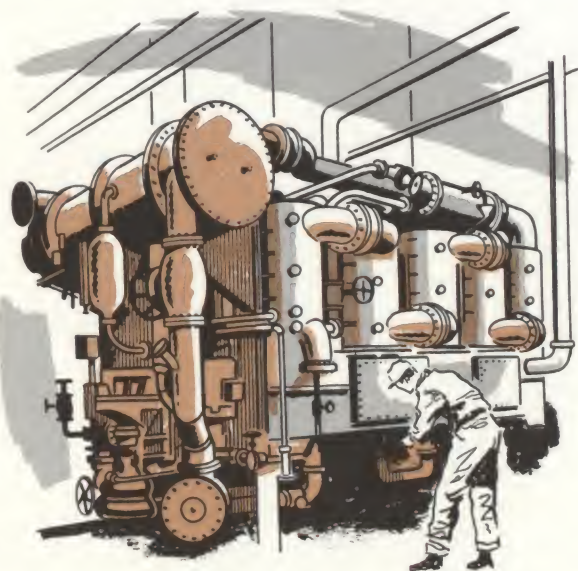
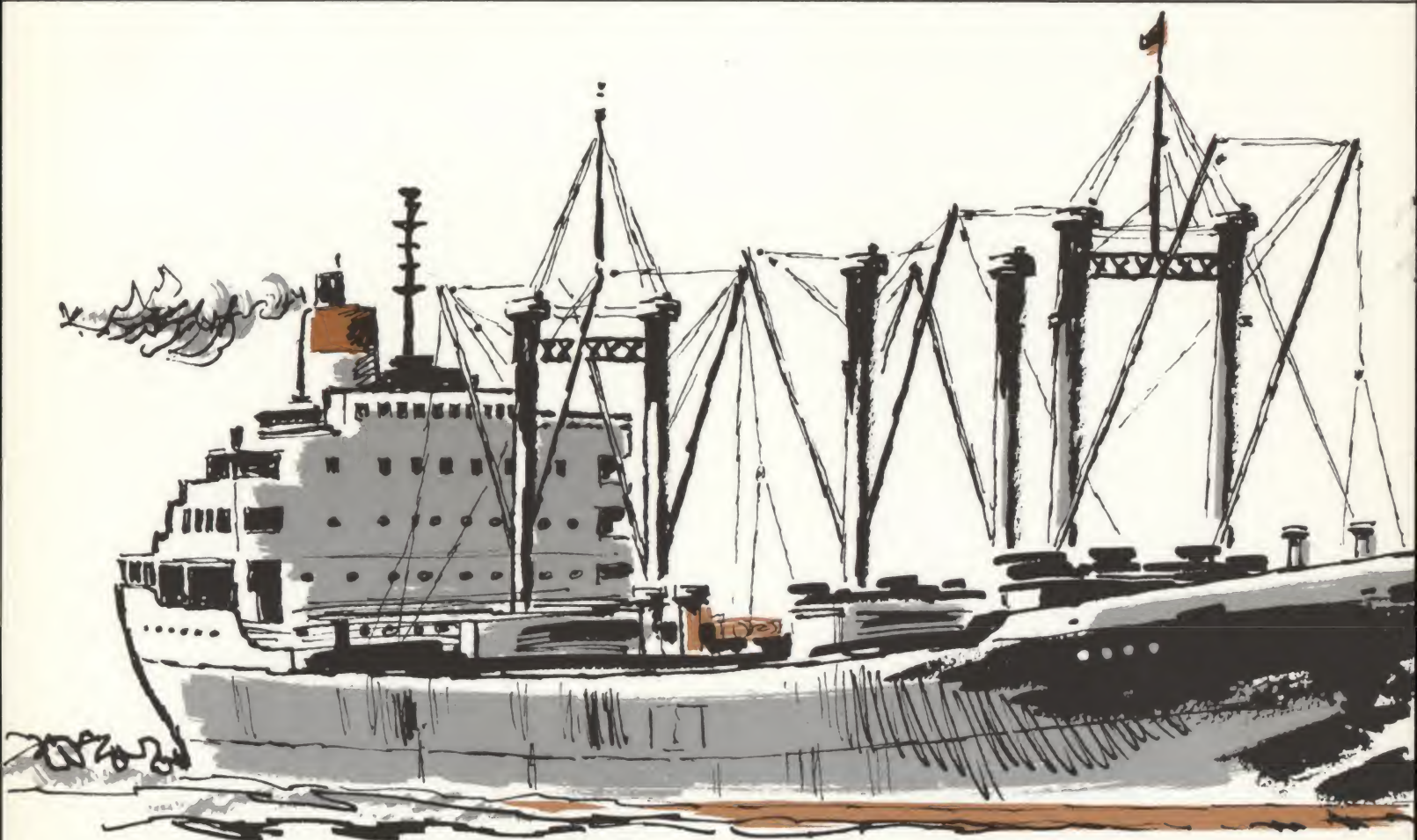
BLH builds a complete line of mechanical and hydraulic equipment for both conventional and nuclear power plants. Electric utilities, a growing market, should increase operating and equipment expenditures from \$5 billion in 1961 to \$6.5 billion in 1965; \$9.2 billion in 1970. Four categories of this equipment are shown on these pages.



Industrial and utility fans manufactured by BLH subsidiary, The Green Fuel Economizer Co., Inc., include such Airfoil fans as the one shown and centrifugal fans (RG type).



Hydraulic turbines manufactured by BLH for power installations include all types, such as fixed and adjustable blade, Francis type, impulse, and pump turbines.



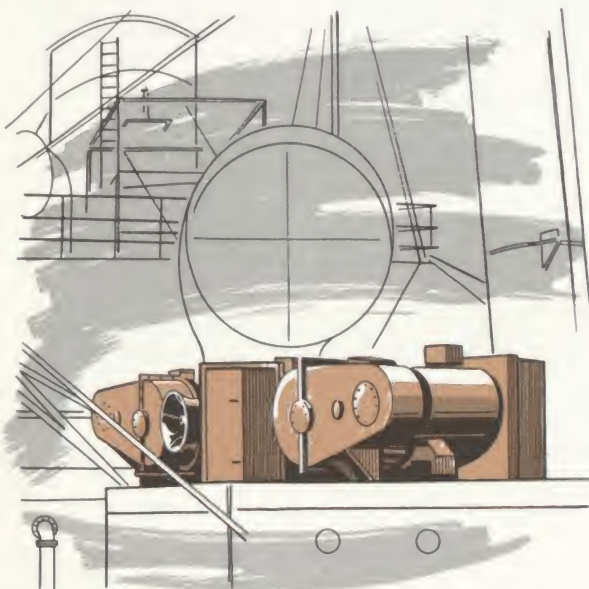
Griscom-Russell sea water distilling plants, such as this one, are in use on more than half of all United States Ships in service. The units are now manufactured by BLH.



BLH builds heat exchangers, feedwater heaters, steam jet ejectors, circulating pumps, and condensers for marine power plants. Condenser shown here is of light-weight construction and compact design.

MARINE

A ship equipped with all of the products BLH can supply would have \$500,000 to \$1,000,000 worth of BLH equipment aboard. Five of the products which BLH builds for ships are shown on this page. The marine market is a large and continuing one in which BLH has a strong position.



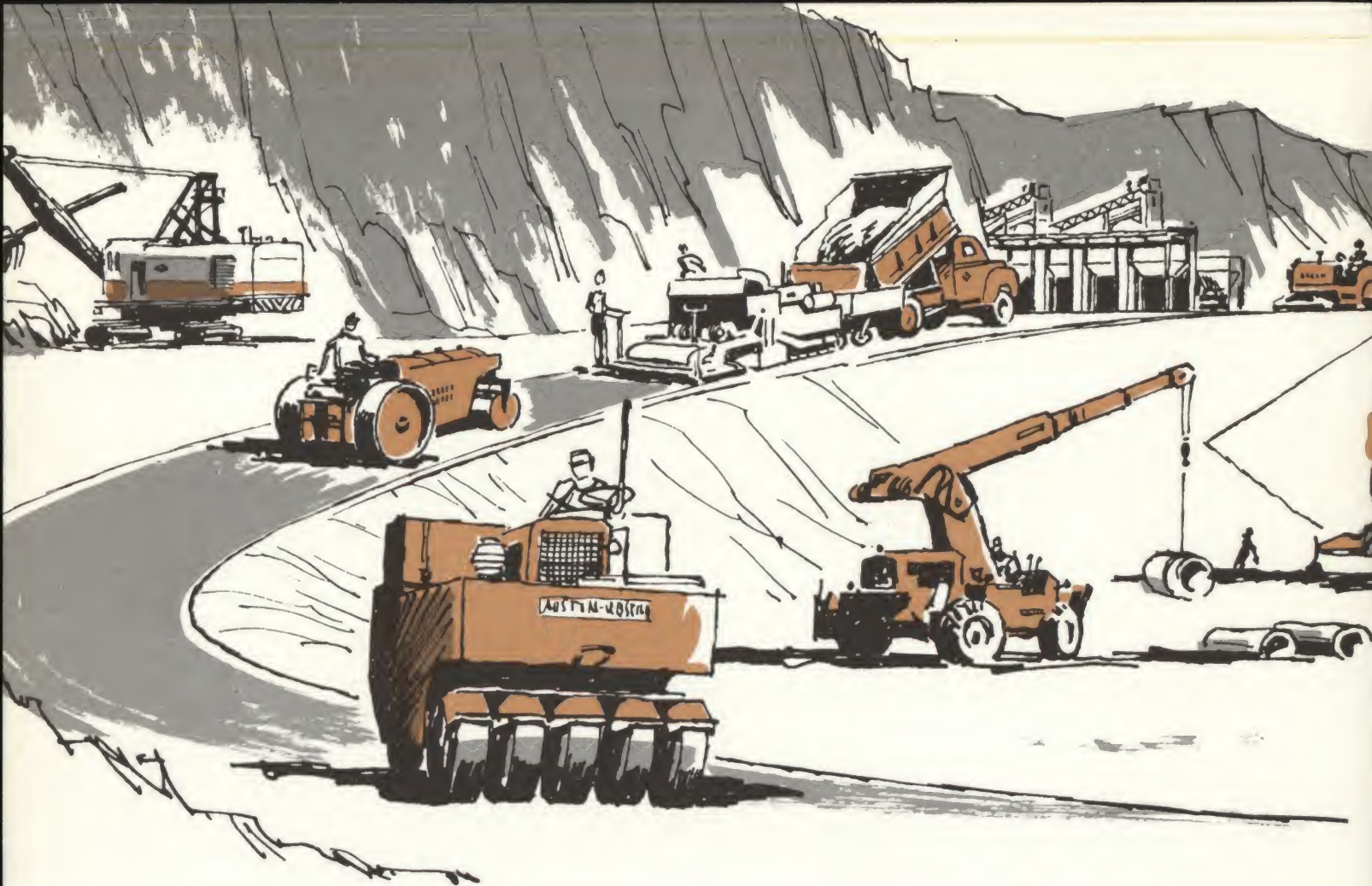
BLH designs and manufactures all types of deck handling equipment: winches, windlasses, and deck-mounted cranes. Typical are these cargo winches which were recently installed on the NS Savannah, first nuclear powered cargo ship.



One of the world's principal manufacturers of large ship propellers and propeller shafts, BLH has also pioneered in developing propeller alloys and casting techniques. Nialite, a special alloy originated by BLH, provides propellers which are highly resistant to corrosion, erosion, and cavitation.

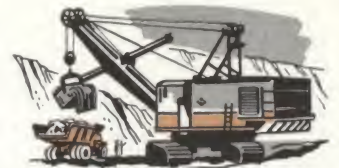


BLH now builds all electric, electro-hydraulic, and manual steering gear originated by American Engineering Co. One of the more complex steering systems is the dual gear for controlling these twin rudders on the 106,000-ton tanker, Manhattan.



CONSTRUCTION

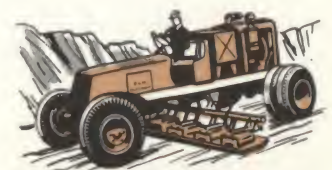
BLH produces truck and tower cranes for building construction, hydraulic cranes for material handling, and large cranes, shovels, and draglines for logging, mining, and dredging. As an example, BLH builds every piece of equipment needed for grading, preparing the roadbeds of, and paving asphalt highways. The line of equipment also includes machines for mining and crushing gravel and screenings for roadbeds, and for manufacturing asphalt. These two pages show BLH construction equipment and its uses.



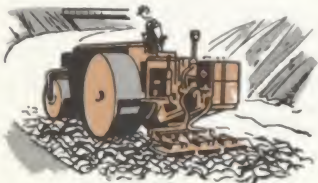
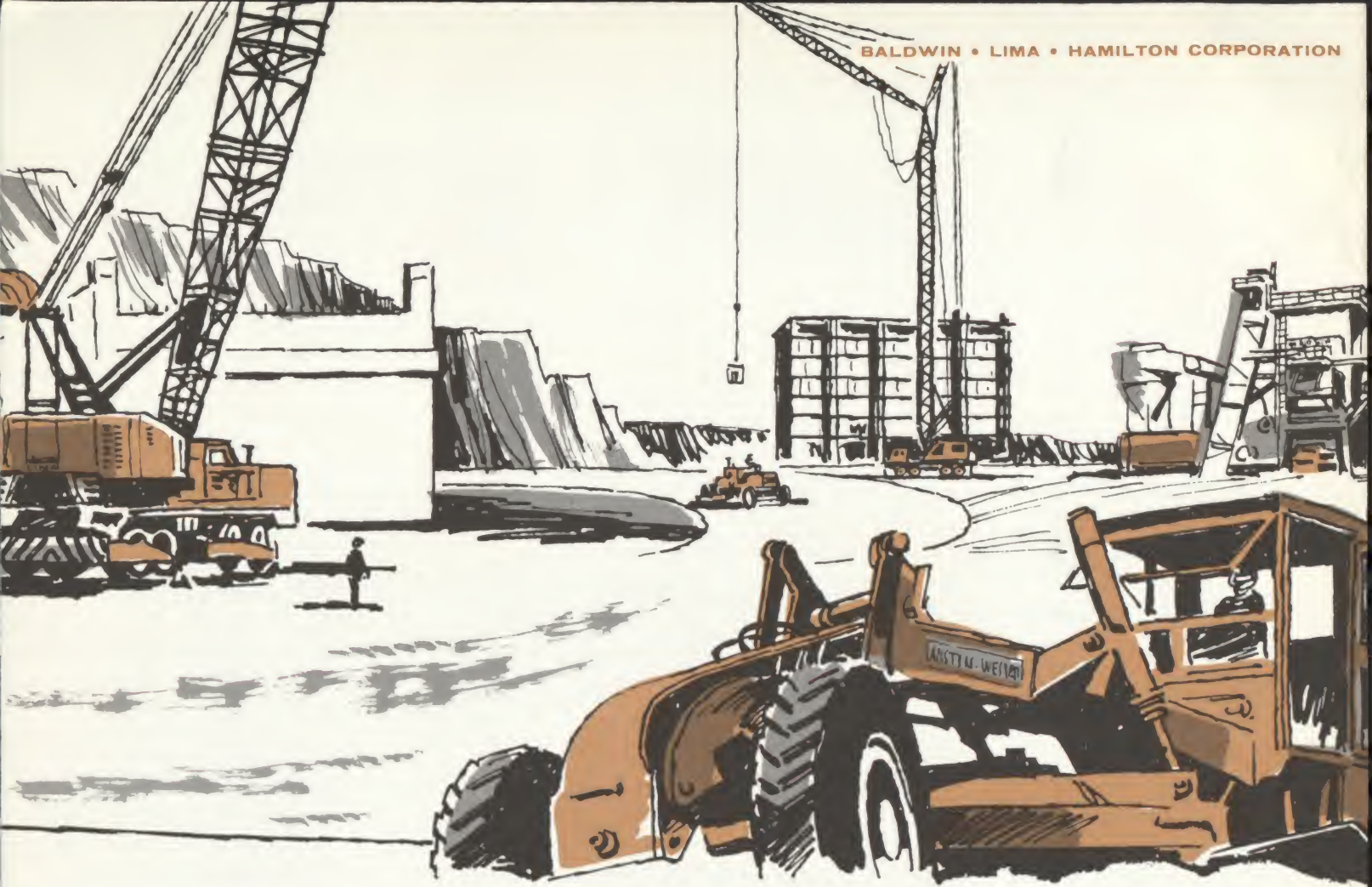
Power Shovels



Power Graders



Roadpackers



Roller Compactors



Asphalt Plants



Pneumatic Rubber-tired Rollers



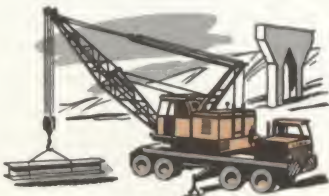
Sweepers



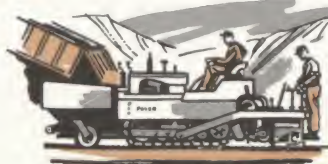
Hydraulic Cranes



Portable Crushers



Truck Cranes



Pavers

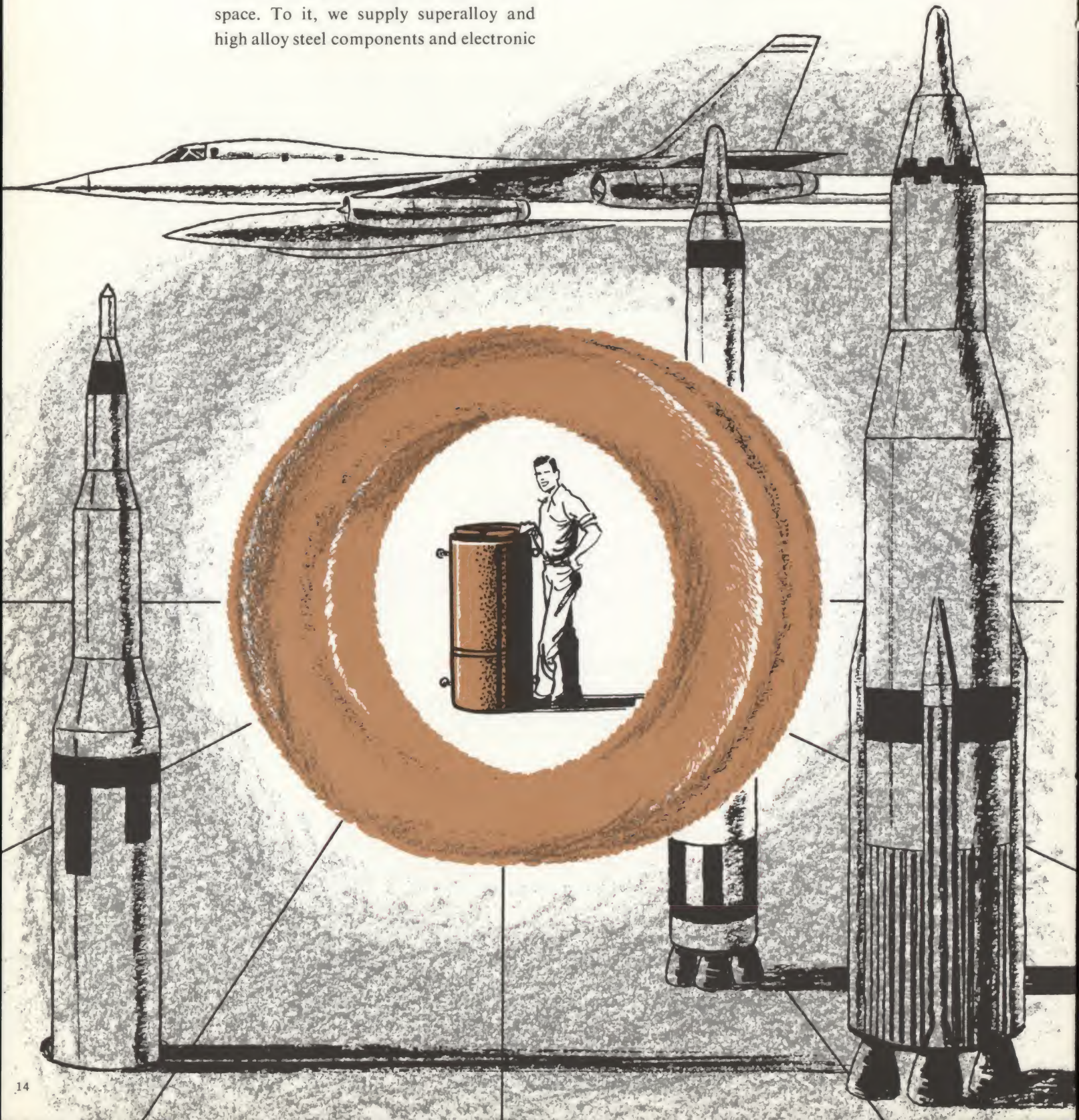


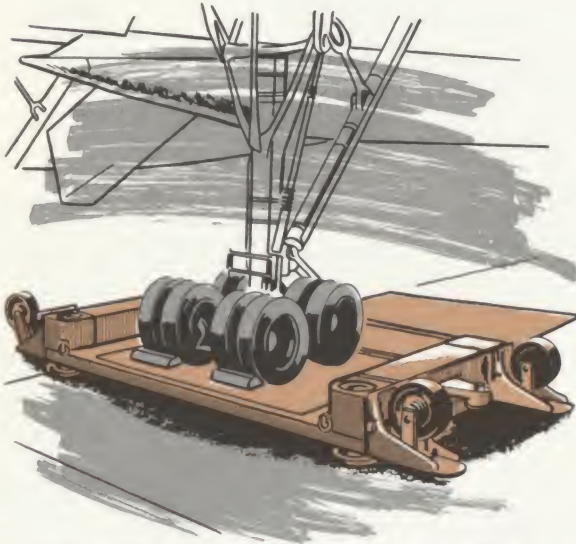
Road Rollers

AEROSPACE

One of the world's largest and most rapidly growing markets is composed of the industries which build aircraft, missiles, and rockets. The market is called Aerospace. To it, we supply superalloy and high alloy steel components and electronic

measurement, testing, and control equipment for such missiles as Titan I, II, and III and Minuteman, and for such planes as the B-58 bomber. Typical BLH Aerospace products and components and their uses are illustrated on these pages.

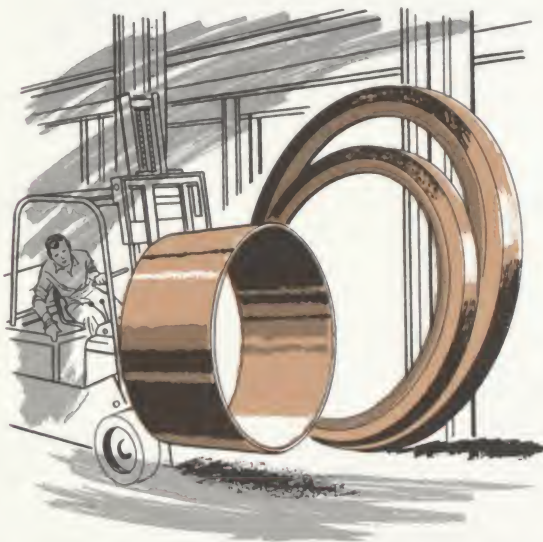




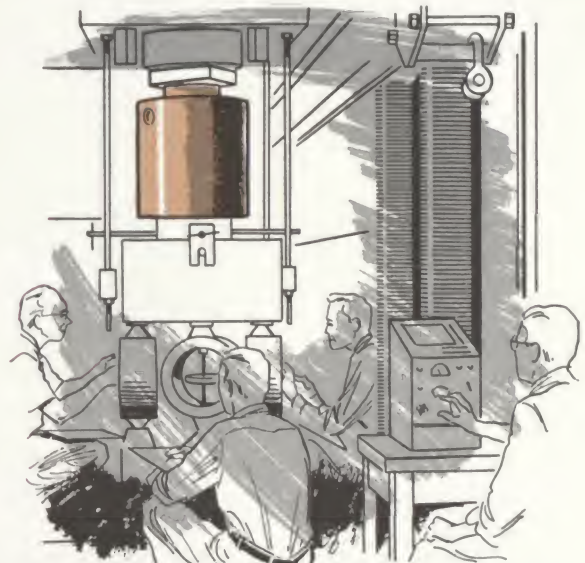
One of the many automatic systems BLH has built for aircraft and missiles is Computer-Planner and Aircraft Weighing Scales (designated CPAWS). With a minimum of time and effort, the unique electronic weighing system assures greater safety during take-off, flight and landing by determining an accurate gross weight and center of gravity for such aircraft as the B-58 Hustler.



BLH works closely with its customers in developing the specifications, grain orientation, and techniques of forging and finishing required for steel components. Typical is the tough, strong, fatigue-resistant alloy used to strengthen and join 120-inch booster casing sections for Titan III.



Standard Steel is the only completely integrated specialty steel mill in the United States capable of producing vacuum arc remelted rings and closed die forgings from superalloy and high alloy steels. Precise, metallurgical specification and control on such products as superalloy missile case rings is part of BLH's regular production practice.



For several years, the Electronics Division of BLH has been making force measurement equipment basic to the missile program: strain gages, pressure cells, torque meters, load cells, and entire measurement and control systems. The million and a half pound load cell, shown here, one of the largest of its kind, determines total weight and thrust of large missiles.

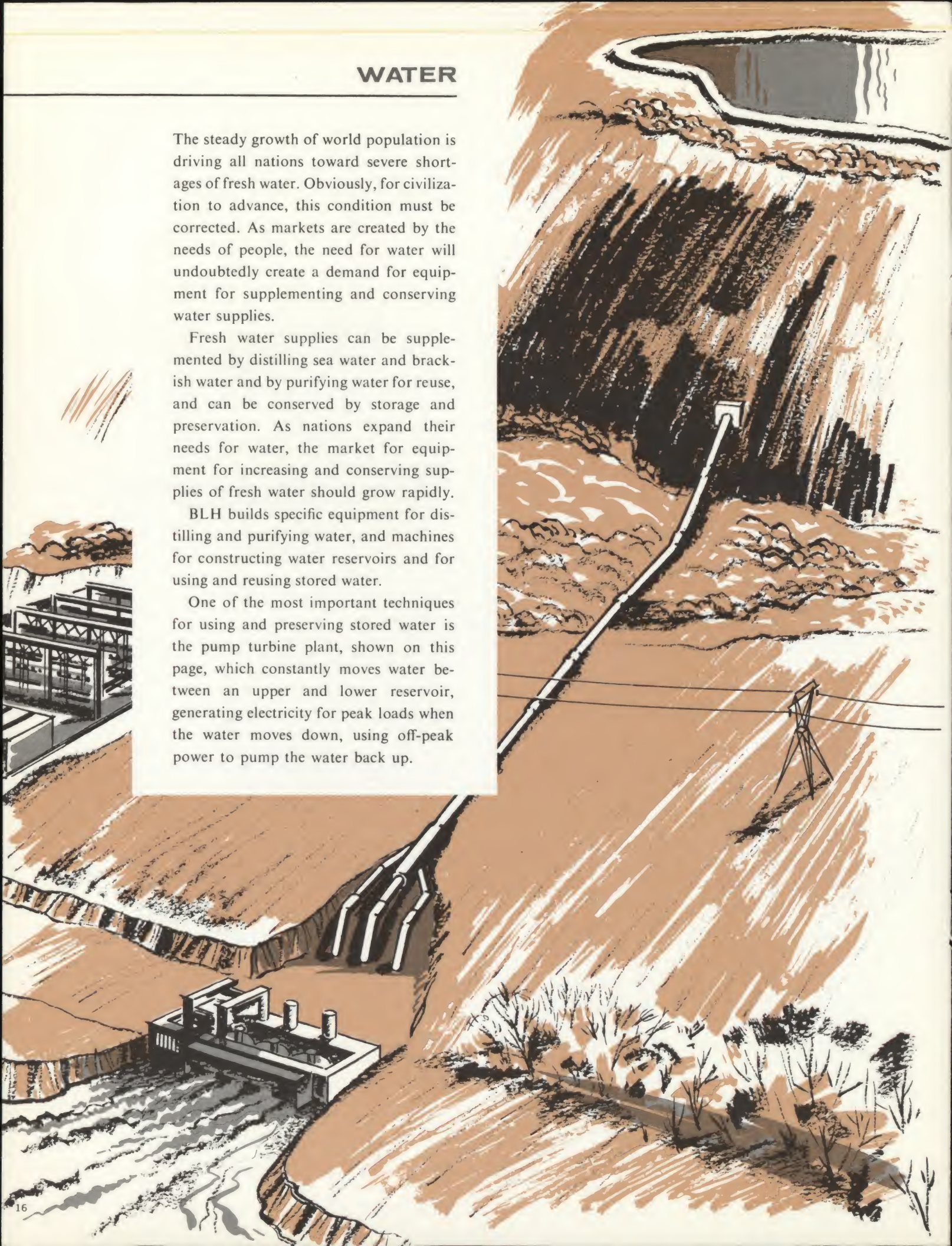
WATER

The steady growth of world population is driving all nations toward severe shortages of fresh water. Obviously, for civilization to advance, this condition must be corrected. As markets are created by the needs of people, the need for water will undoubtedly create a demand for equipment for supplementing and conserving water supplies.

Fresh water supplies can be supplemented by distilling sea water and brackish water and by purifying water for reuse, and can be conserved by storage and preservation. As nations expand their needs for water, the market for equipment for increasing and conserving supplies of fresh water should grow rapidly.

BLH builds specific equipment for distilling and purifying water, and machines for constructing water reservoirs and for using and reusing stored water.

One of the most important techniques for using and preserving stored water is the pump turbine plant, shown on this page, which constantly moves water between an upper and lower reservoir, generating electricity for peak loads when the water moves down, using off-peak power to pump the water back up.





Land-based Water Purification Unit



Evaporator

Equally as important as conserving water are methods for supplementing existing water supplies, substituting equipment which does not require water for equipment which does, and preserving water by prudent use.

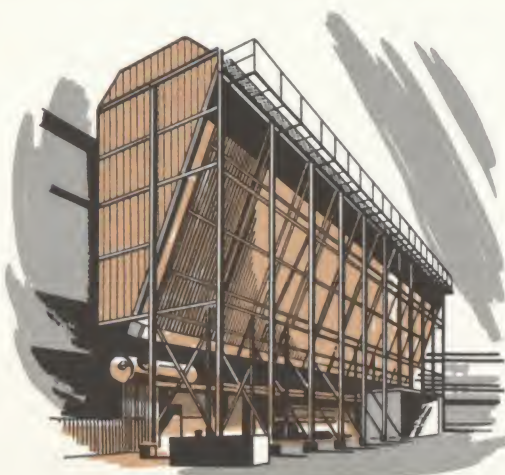
The illustrations on this page show equipment which BLH builds for these methods of water usage.

The illustration of a land-based, sea water distillation plant, shows the equipment which BLH supplies to provide fresh water where local sources are inadequate or non-existent. During 1962, the company received contracts for two of these land-based units, both for installation in Israel. One will produce 1,000,000 gallons per day; the other, 262,000 gallons per day.

Evaporators, such as the one shown, are used in power plants to produce boiler feedwater from raw water which is high in solids. Such an evaporator can also produce fresh drinking water as a by-product. Evaporators in marine power plants customarily produce drinking water as well as feedwater. BLH builds evaporators for utility, marine and industrial uses.

Often, even in areas where water is plentiful, cooling with air, rather than water, is more efficient and less expensive. For such operations as condensing moisture from manufactured gas, BLH supplies fin-fan coolers of the type shown below. In areas where no water is available, such condensers are the only ones that can be used. BLH Fin-Fan condensers conserve water by substituting air as the coolant.

In arid regions, crop cultivation is possible only if the available water is used discreetly and frugally in controlled irrigation. In moist regions, excess water supplies must be controlled, if crops are to be raised. Both situations require the precise ditching which BLH pull-shovels, such as the one shown, can supply. In addition to pull-shovels, BLH builds a complete line of earth moving equipment for constructing dams and reservoirs, dredging canals, and grading for water drainage and accumulation. To every phase of distilling, purifying, storing, and preserving the critical asset, water, BLH is an important contributor.



Fin-Fan Cooler



Pull Shovel

BALANCE SHEET • DECEMBER 31, 1962 AND 1961

	ASSETS	1962	1961*
Current Assets:			
Cash		\$5,470,980	\$6,475,603
U.S. Treasury and other marketable securities at cost, which approximates market		4,019,504	12,418,733
Trade receivables (less reserve, \$330,000 in 1962 and \$320,000 in 1961) (Note 1)		32,946,172	29,981,928
Federal income tax refundable		881,000	—
Inventories at lower of cost or market (less reserve, \$280,000 in 1962 and \$300,000 in 1961)		45,853,463	45,438,322
Prepaid expenses		243,960	193,486
Total Current Assets		\$89,415,079	\$94,508,072
Trade Receivables—Not due within one year		7,505,576	7,782,032
Investments—At cost (Note 1)		4,232,744	581,269
Property, Plant and Equipment—At cost (less reserve for depreciation and amortization, \$46,885,049 in 1962 and \$45,760,782 in 1961)		27,594,945	26,092,468
Unamortized Costs—Consolidation and rearrangement of facilities, net of tax benefit (Note 2)		1,680,000	—
		<u>\$130,428,344</u>	<u>\$128,963,841</u>

* Amounts reclassified for comparison.

LIABILITIES	1962	1961
Current Liabilities:		
Accounts payable, trade	\$6,053,235	\$4,813,792
Dividend payable	425,775	426,005
Advances on sales orders	2,075,048	2,699,050
Provision for taxes on income	834,652	2,071,300
Other taxes, wages, commissions, etc.	5,290,722	4,572,596
Total Current Liabilities	<u>\$14,679,432</u>	<u>\$14,582,743</u>
Reserves :		
Product guarantees and other expenses	\$660,000	\$560,000
Deferred taxes on income (Note 2)	1,090,000	—
Total Reserves	<u>\$1,750,000</u>	<u>\$560,000</u>
Shareholders' Book Equity:		
Common stock, \$13 par (Note 3):		
Authorized, 5,000,000 shares		
Issued, 4,782,778 shares.	\$62,176,114	\$62,176,114
Capital in excess of par value (including \$48,202 arising in 1962 from sale of treasury stock under employee options)	26,884,500	26,836,298
Retained earnings	30,178,010	29,981,680
	<u>\$119,238,624</u>	<u>\$118,994,092</u>
Less treasury common stock at cost—525,028 shares in 1962 and 524,728 shares in 1961	5,239,712	5,172,994
Total Shareholders' Book Equity.	<u>\$113,998,912</u>	<u>\$113,821,098</u>
	<u>\$130,428,344</u>	<u>\$128,963,841</u>

1. Subsidiaries:

At December 31, 1962, current trade receivables include \$1,814,377 from subsidiaries. Investments at December 31, 1962 include investments in subsidiaries carried at a cost of \$3,475,019 which approximates the underlying equity; of this amount, approximately \$3,000,000 is represented by working capital of subsidiaries.

The statement of income includes the results of operations of two subsidiaries from the date of their acquisition on January 30, 1962. These subsidiaries were merged into Baldwin-Lima-Hamilton Corporation in April, 1962.

The company's equity in the results of operations of other subsidiaries, including one acquired in January, 1962, and two in December, 1962, is not significant.

2. Provision for Income Taxes:

Tax depreciation deductions for certain fixed assets, which exceed corresponding book depreciation, are determined on the basis of guideline lives as promulgated by the Treasury Department in 1962. Further, certain costs incurred in connection with the consolidation and rearrangement of plant facilities are claimed for income tax purposes as incurred, but for book purposes are deferred and amortized over a period of approximately five years. The resulting income tax benefits of \$2,484,400 (\$1,090,000 applicable to depreciation and \$1,394,400 applicable to consolidation and rearrangement costs) are similarly deferred and are shown in the accompanying statement of income as deferred taxes on income.

3. Stock Options:

The Executive Stock Option Plan provides that the company may grant options to key executives of the company to purchase not in excess of 200,000 shares of the company's common stock at prices not less than 95% of market value at the time the option is granted. At January 1, 1962, options were outstanding for 117,550 shares, options for 28,500 shares had been exercised and 53,950 unoptioned shares were available under the Plan. During 1962, options for 46,400 shares were granted, options for 6,700 shares terminated, and options for 23,500 shares were exercised. At December 31, 1962, options to purchase 133,750 shares for an aggregate of \$1,787,393 were outstanding and 14,250 unoptioned shares were available under the Plan.

STATEMENT OF INCOME

Income:

	1962	1961
Net sales	\$125,289,679	\$109,064,209
Royalties and licenses.	828,314	468,665
Interest earned.	1,055,521	1,268,321
Net profit on sale of property	214,554	154,198
Miscellaneous	179,851	306,305
Total	<u>\$127,567,919</u>	<u>\$111,261,698</u>

Costs and Expenses:

Cost of products sold, including engineering, selling, and administrative expenses	\$118,878,534	\$104,569,027
Depreciation and amortization (Note 2) .	3,180,209	2,918,025
Contributions for employees' retirement. .	1,559,693	1,517,428
Taxes on income:		
Current	(494,400)	865,000
Deferred (Note 2)	2,484,400	—
Interest and miscellaneous.	53,493	1,112
Total	<u>\$125,661,929</u>	<u>\$109,870,592</u>

Net Income	<u>\$1,905,990</u>	<u>\$1,391,106</u>
Per share—Outstanding at end of year, 4,257,750 shares in 1962 and 4,258,050 shares in 1961	\$.45	\$.33

STATEMENT OF
RETAINED EARNINGS

Balance, January 1	\$29,981,680	\$30,293,104
Net income	1,905,990	1,391,106
Dividends declared	(1,709,660)	(1,702,530)
Balance, December 31	<u>\$30,178,010</u>	<u>\$29,981,680</u>

See accompanying notes.

AUDITORS'
REPORT

To the Shareholders of Baldwin-Lima-Hamilton Corporation:

We have examined the balance sheet of Baldwin-Lima-Hamilton Corporation as of December 31, 1962, and the related statements of income and retained earnings for the year then ended. We were unable to obtain confirmation of certain amounts due from the United States Government but we satisfied ourselves as to such amounts by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the position of Baldwin-Lima-Hamilton Corporation at December 31, 1962, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Philadelphia, Penna.
February 4, 1963Lybrand, Ross Bros. & Montgomery
Certified Public Accountants

DIVISIONS	PRODUCTS	MARKETS
Industrial Equipment Division Philadelphia 42 (Eddystone), Pa. Andrew Liston Vice President and General Manager	Turbines Deck Machinery Propellers Metal Forming Equipment Diesel Renewal Parts Nuclear Pressure Vessels Heat Transfer Equipment	Electric Utility Marine Petroleum Machinery Manufacturers Transportation Water
Standard Steel Division Burnham—Mifflin County, Pa. Robert J. Buckley Vice President and General Manager	Specialty Steel: Rings Forgings Wheels	Aerospace Machinery Manufacturers Transportation
Electronics Division Waltham, Massachusetts Robert O. Bullard Vice President and General Manager	Instrumentation Measuring Devices and Equipment	All Industry
Pelton Division San Francisco 10, California Morgan White Vice President and General Manager	Turbines Water Works Equipment	Electric Utility Water
Subsidiary The Green Fuel Economizer Co., Inc. Beacon, New York James M. White, President	Industrial Fans	Electric Utility Marine Processing Industries
Industrial Sales Division Philadelphia 42 (Eddystone), Pa. Christopher T. Kastner General Manager	(Sales for all of the Industrial Divisions)	
Construction Equipment Division Charles M. Lippincott Vice President and General Manager Austin-Western plant, Aurora, Illinois Lima plant, Lima, Ohio	Shovels Cranes Road Building and Maintenance Equipment	Road Construction Building Construction Water Logging Mining Aerospace
Affiliated Company Transitel International Corporation Paramus, New Jersey	Telemetry Supervisory Controls	Electric and Gas Utilities

BLH

